



Massachusetts Department of Revenue

Self-Assessed Advance Payment Penalty Worksheet

Retain the worksheet for your records, do not submit.

Name _____

Taxpayer ID _____

Tax Period _____

Business taxpayers who had more than \$150,000 in total tax liability in the previous calendar year may be subject to an advance payment requirement on sales and use tax, including meals tax, sales tax on telecommunications and marijuana retail taxes, and/or room occupancy tax. See 830 CMR 62C.16B.1. Where a taxpayer pays less than the advance payment due, a 5% penalty may be added to the amount of underpayment.

Starting with the January 1, 2022 return, a taxpayer will be able to self-assess an advance payment penalty on its tax return. This worksheet may be used to determine if you are subject to the underpayment penalty and to calculate the amount of the penalty. Please use a separate worksheet for each period. For examples see below.

Is there an underpayment? Calculation of Underpayment:

Line 1: Tax liability* from 1st through 21st of month.

(Tax liability is equal to taxable gross receipts or taxable sales/rents times rate)

Line 2: Amount Paid by or before the 25th.

Line 3: Amount of Underpayment (Line 1 minus Line 2; not less than 0).

If Line 3 is 0 you do not have a penalty, skip the remainder of this worksheet.

Is the payment less than 70% of the total liability?

Line 4: Total tax liability* for monthly tax period.

Line 5: Enter 70% of Line 4.

Line 6: Amount less than 70% of tax liability (Line 5 minus Line 2; not less than 0).

If Line 6 is 0 you do not have a penalty, skip the remainder of this worksheet.

Calculation of the Advance Payment Penalty

Line 7: Amount of Penalty (5% of Line 3)

Enter this amount on the "Advance Payment Penalty" line of your return.

*Tax liability includes all sales tax, local tax, marijuana excise, and any additional fees reported on the monthly return; does not include use tax on purchases (for tobacco retailers only: please subtract any pre-paid sales tax as applicable)

Examples for Completing Worksheet

The following examples will help you use the worksheet to calculate a penalty, if any.

Example 1. Super Toys Inc., a retail vendor, has a monthly sales tax filing requirement and had \$240,000 in total Massachusetts sales tax liability in calendar year 2020. Super Toys Inc. has \$255,992 in gross receipts from taxable sales from April 1, 2021, through and including April 21, 2021. Super Toys Inc. remits \$16,000 on April 25, 2021 ($\$255,992 \times 6.25\%$). As Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Super Toys Inc. must file its return for the tax period beginning April 1, 2021, and ending April 30, 2021, on or before May 30, 2021. Super Toys Inc. has \$325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is \$20,313 ($\$325,000 \times 6.25\%$). Super Toys Inc. must remit the remaining tax due of \$4,313, the difference between what was remitted on April 25 and the total tax due for the taxable period, with the return it files on or before May 30, 2021.

How to fill out worksheet for Example 1:

Calculation of Underpayment

Line 1: \$16,000 (Total liability from 1st through 21st: $\$255,992 \times 6.25\%$)

Line 2: \$16,000 (Amount paid by April 25th)

Line 3: \$0 (Amount of underpayment: line 1 minus line 2)

Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Skip the remainder of this worksheet and continue completing your return.

Example 2. Super Toys Inc. is subject to the advance payment requirement because it had more than \$150,000 in total sales tax liability in 2020. Super Toys Inc. has \$255,992 in gross receipts from taxable sales from April 1, 2021, through and including April 21, 2021, and remits \$16,000 on April 25, 2021. Therefore, Super Toys Inc. has remitted the amount required to be remitted on or before the 25th of the month ($\$255,992 \times 6.25\%$) and there is no underpayment. Due to a big sale at the end of April, Super Toys Inc. has \$500,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales for the taxable period, Super Toys Inc.'s total sales tax due for the taxable period is \$31,250 ($\$500,000 \times 6.25\%$). Super Toys Inc. must remit the remaining tax due of \$15,250, the difference between what was remitted on April 25 and the total tax due for the taxable period, with the return it files on or before May 30, 2021. Super Toys Inc. remitted less than 70% of the total tax due for the month on April 25 ($\$31,250 \times 70\% = \$21,875$) but because it remitted the amount required to be remitted on April 25, there is no underpayment that is subject to the 5% underpayment penalty.

How to fill out worksheet for Example 2:

Calculation of Underpayment

Line 1: \$16,000 (Total liability from 1st through 21st: $\$255,992 \times 6.25\%$)

Line 2: \$16,000 (Amount paid by April 25th)

Line 3: \$0 (Amount of underpayment: line 1 minus line 2)

Super Toys, Inc. has remitted the amount required to be remitted on or before the 25th of the month, there is no underpayment. Skip the remainder of this worksheet and continue completing your return. There is no need to determine whether it also paid 70% of the total liability due.

Example 3. Super Toys Inc. is subject to the advance payment requirement because it had more than \$150,000 in total sales tax liability in 2020. Super Toys Inc. has \$255,992 in gross receipts from taxable sales from April 1, 2021, through and including April 21, 2021. However, Super Toys Inc. pays only \$14,500 on April 25, 2021. As Super Toys, Inc. has remitted less than the amount required to be remitted on or before the 25th of the month ($\$255,992 \times 6.25\% = \$15,999.50$), there is an underpayment of \$1,499.50. Super Toys Inc. must file its return for the tax period beginning April 1, 2021, and ending April 30, 2021, on or before May 30, 2021. Super Toys Inc. has \$325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is \$20,313 ($\$325,000 \times 6.25\%$). Super Toys Inc. must remit the remaining tax due of \$5,813, the difference between what was remitted on April 25 and the total tax due for the taxable period, with the return it files on or before May 30, 2021. Super Toys Inc. remitted less than the amount required to be remitted on April 25 ($\$15,999.50 - \$14,500 = \$1,499.50$) but because it remitted at least 70% of the total tax due for the month on April 25 ($\$20,313 \times 70\% = \$14,219.10$), there is no 5% penalty.

How to fill out worksheet for Example 3:

Calculation of Underpayment

Line 1: \$16,000 (Total liability from 1st through 21st: $\$255,992 \times 6.25\%$)²

Line 2: \$14,500 (Amount paid by April 25th)

Line 3: \$1,500 (Amount of underpayment: line 1 minus line 2)

Super Toys, Inc. did not pay the full amount of the advance payment due. You must complete lines 4-6.

Calculation of 70% Threshold

Line 4: \$20,313 (Total liability for April 2021: $\$325,000 \times 6.25\%$)

Line 5: \$14,219 (70% of Total liability for April 2021: line 4 $\times 70\%$)

Line 6: \$0 (Safe Harbor: line 5 minus line 2; not less than \$0)

Super Toys Inc. has an underpayment in line 3 but because it remitted at least 70% of the total tax due for the month on April 25th the 5% penalty is not imposed. Skip the remainder of this worksheet and continue completing your return. There is no need to calculate the underpayment penalty.

Example 4. Super Toys Inc. is subject to the advance payment requirement because it had more than \$150,000 in total sales tax liability in 2020. Super Toys Inc. has \$255,992 in gross receipts from taxable sales from April 1, 2021, through and including April 21, 2021. However, Super Toys Inc. pays only \$10,000 on April 25, 2021. As Super Toys, Inc. has remitted less than the amount required to be remitted on or before the 25th of the month ($\$255,992 \times 6.25\% = \$16,000$), there is an underpayment of \$6,000. Super Toys Inc. must file its return for the tax period beginning April 1, 2021, and ending April 30, 2021, on or before May 30, 2021. Super Toys Inc. has \$325,000 in total gross receipts from taxable sales for the taxable period. Based on its total taxable sales, Super Toys Inc.'s total sales tax due for the taxable period is \$20,313 ($\$325,000 \times 6.25\%$). Super Toys Inc. must remit the remaining tax due of \$10,313, the difference between what was remitted on April 25 and the total tax due for the taxable period, with the return it files on or before May 30, 2021. Super Toys Inc. remitted less than the amount required to be remitted on April 25 ($\$16,000 - \$10,000 = \$6,000$) and it does not qualify for the safe harbor because it only paid \$10,000, which is less than 70% of the total tax due for the month on April 25 ($\$20,313 \times 70\% = \$14,219.10$). Super Toys Inc. is subject to a 5% penalty on \$6,000, the amount of underpayment.

How to fill out worksheet for Example 4:

Calculation of Underpayment

Line 1: \$16,000 (Total liability from 1st through 21st: $\$255,992 \times 6.25\%$)

Line 2: \$10,000 (Amount paid by April 25th)

Line 3: \$6,000 (Amount of underpayment: line 1 minus line 2)

Super Toys, Inc. did not pay the full amount of the advance payment due. You must complete lines 4-6.

Calculation of 70% Threshold

Line 4: \$20,313 (Total liability for April 2021: $\$325,000 \times 6.25\%$)

Line 5: \$14,219 (70% of Total liability for April 2021: line 4 x 70%)

Line 6: \$4,219 (Safe Harbor: line 5 minus line 3; not less than \$0)

Super Toys, Inc. paid less than 70% of the total liability. You must complete line 7 to calculate the advance payment penalty.

Calculation of Advance Payment Penalty

Line 7: \$300 (Calculation of penalty: line 3 x 5%)

This is the amount of the "Advance Payment Penalty" that must be reported on the return